



2002 ANNUAL REPORT



Quality steel...
Quality products...
Quality people...
Highly focused...

Company Profile

Ivaco is a Canadian corporation and is a leading North American producer of steel, fabricated steel products and precision machined components. Ivaco's modern steel operations include Canada's largest rod mill, which has a rated production capacity of 900,000 tons of wire rods per annum. In addition, its fabricated steel products operations in Canada and the United States have a rated production capacity in the area of 400,000 tons per annum of wire, wire products and processed rod, and over 200,000 tons per annum of fastener products. Strategic investments in state-of-the-art technology and productivity improvements have positioned Ivaco to be an industry leader in the 21st century.

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SALES DISTRIBUTION

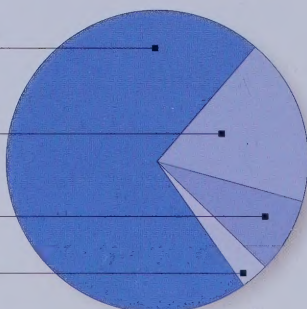
2002

USA **71%**

Ontario & Western Canada **18%**

Québec & Atlantic Canada **8%**

Overseas **3%**



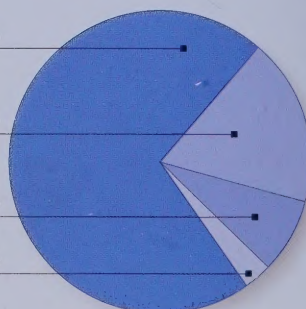
2001

USA **71%**

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Overseas **3%**



Financial Highlights

(Thousands of dollars except per share amounts)	2002	2001
Sales	\$ 937,475	\$ 892,020
Operating earnings (EBITDA) ⁽¹⁾	\$ 63,429	\$ 69,236
Earnings from operations before amortization and other items	\$ 32,263	\$ 24,293
Earnings (loss) from operations before non-recurring items and income taxes	\$ (17,482)	\$ (15,210)
Net earnings (loss) ⁽²⁾	\$ 7,578	\$ (42,442)
Net earnings (loss) per share ⁽³⁾	\$ (0.17)	\$ (2.07)
Working capital	\$ 148,786	\$ 187,262
Long-term debt	\$ 255,004	\$ 265,244
Shareholders' equity	\$ 266,719	\$ 374,344
Additions to capital assets including \$1,813 in new capital lease obligations (2001 - \$15,237)	\$ 10,497	\$ 39,979

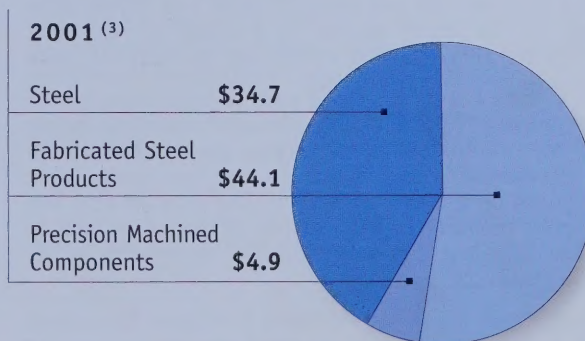
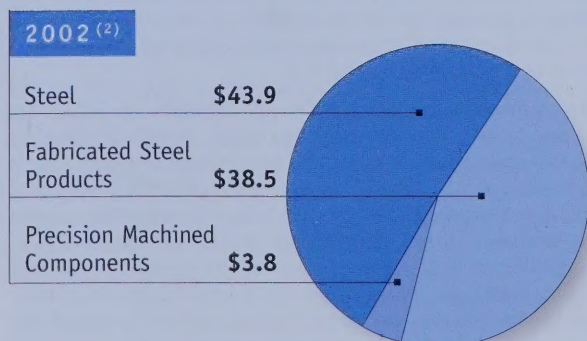
⁽¹⁾ Earnings before net interest expense, dividends on Second Preferred Shares, Series 5, foreign exchange gains or losses, gain on disposals of operating assets, amortization, non-recurring items and income taxes.

⁽²⁾ 2002 includes a non-recurring gain on disposal of Dofasco Inc. common shares of \$30,155, provisions against construction contracts receivable and claims recorded in prior years of \$7,075 and \$2,006 of expenses related to an investment that was previously written off. 2001 includes non-recurring non-cash write-off of investment in Birmingham Southeast LLC (\$27,549) and Amercord Inc. (\$5,053).

⁽³⁾ Per share amounts are calculated after deducting preferred share dividends.

EBITDA ⁽¹⁾

(IN MILLIONS)



⁽¹⁾ Earnings before net interest expense, dividends on Second Preferred Shares, Series 5, foreign exchange gains or losses, gain on disposals of operating assets, amortization, non-recurring items and income taxes.

⁽²⁾ 2002 excludes other costs of \$22.7 million.

⁽³⁾ 2001 excludes other costs of \$14.5 million.

To our Shareholders



Paul Ivanier, President and Chief Executive Officer

April 10, 2003

The year 2002 turned out to be another testing one for our Company but one in which our businesses made significant progress in pursuing our long-term goals.

The strong signals of economic recovery that we saw in the first quarter of 2002 weren't sustained during the rest of the year and our business segments had to cope with uncertain markets and continuing pressure from offshore imports. In addition, Ivaco Rolling Mills had to contend with the costs related to U.S. anti-dumping duty margins. Both IRM and Sivaco Quebec had higher labor costs in the fourth quarter as a result of new labor contracts. These factors offset the benefits of price increases and higher volumes.

The one word that best describes our successes during the last two difficult years is focus. We have maintained an unwavering focus on two basic long-term goals. These goals can be simply stated: to be the most modern and efficient producer in each of our product lines and to further maximize our penetration of markets for value-added products.

We also have the skilled workforce to achieve these goals but a workforce is only as good as the tools at its disposal. That is why we have spent \$393 million during the past eight years to modernize and expand our core plants in order to increase our ability to produce high quality, value-added products. From 1995 to 2002, capital expenditures for our core businesses were as follows:

Steel – Melt Shop & Rod Mill	\$183 million
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Fabricated Steel Products	
Fastener Group	125 million
Wire Group	69 million
	<hr/> 194 million

Precision Machined Components	16 million
	<hr/> \$393 million

These major investments were coupled with a more strategic restructuring that also saw us divest non-core businesses and other surplus assets during these years, in order to support these expansions.

There is no doubt that less than ideal market conditions during the past year have prevented us from achieving our goals. We can take some comfort from the fact that these have been industry-

wide conditions affecting North American steelmakers and we have coped with them better than most.

There was ample evidence across our business segments in 2002 of the validity of our long-term goals and the benefits of our constant focus on them. Ivaco Rolling Mills set productivity and production records last year. It operated at close to capacity throughout the year and produced a record 860,000 tons of wire rod. It did this despite difficult industry conditions that included anti-dumping actions in the U.S. against Canada and certain other wire rod producers from other countries. These actions created an influx of offshore wire rod into the U.S. from other offshore countries that were not charged with anti-dumping by the U.S.

Ifastgroupe operated at 80% of capacity in 2002, an improvement over the previous year, despite a sluggish global industrial economy and low import prices for their products. Productivity improvements offset higher costs for raw materials, energy and labor. Sivaco Wire Group maintained steady production levels at its plants in Marievalle and Newnan, improved its product mix and substantially increased production of cold heading wire. A slow economy had a particularly adverse impact on Sivaco's U.S. markets and higher costs for raw materials and labor more than offset price increases. The Precision Machined Components segment had mixed results but its forging group increased market share with its major customers.

Sales in 2002 were \$937.5 million compared with \$892.0 million in 2001. Operating earnings (EBITDA) were \$63.4 million compared with \$69.2 million in 2001. The Steel segment reported operating earnings of \$43.9 million in 2002 up from \$34.7 million last year, while the Fabricated Steel Products segment's operating earnings were \$38.5 million compared to \$44.1 million in 2001. The Precision Machined Components segment reported operating earnings of \$3.8 million versus \$4.9 million last year. Earnings before income taxes of \$3.6 million include \$21.1 million related to a gain on disposal of shares of Dofasco Inc., net of other charges. This compares to a loss before income taxes in 2001 of \$47.8 million. The 2001 loss included a charge of \$32.6 million primarily related to a write-off of an investment in Birmingham Southeast. The 2001 loss has also been restated with respect to foreign currency translation, in accordance with the new requirements of the Canadian Institute of Chartered Accountants.

Net earnings in 2002 were \$7.6 million compared with a loss of \$42.4 million in 2001.

Subsequent to the end of the year, and prompted by the difficult economic and market conditions experienced in 2002, Sivaco Wire Group announced that it would relocate operations from Newnan, Georgia and consolidate its North American wire drawing operations at its plant in Marieville, Québec. Most of the equipment at Newnan is being moved to Marieville and some is being moved to the rod processing plant at Ingersoll, Ontario. Combining the Newnan and Marieville operations under one roof will increase the capacity at Marieville by about 25% to 250,000 tons per year and result in significant economies of scale. Sivaco Wire Group's corporate and sales office will remain at Newnan.

In March last year, Ivaco purchased 436,338 of its \$2.625 Second Preferred Shares, Series 5, at \$25 per share under the terms of their issuance for a total of \$10.9 million. The shares purchased represent 15% of the number of Series 5 shares outstanding prior to the purchase.

Last year in July, Ivaco completed the redemption of all of its \$95.0 million Exchangeable Second Preferred Shares, Series 4 from the proceeds of the sale of 2,969,566 common shares of Dofasco Inc. to a syndicate of investment dealers. Completion of the redemption eliminated about \$3.8 million of Ivaco's annual dividend costs related to the Series 4 shares in perpetuity. As previously mentioned, Ivaco also realized a very substantial gain on this transaction. In connection with the transaction, Ivaco also agreed to issue \$6.5 million of Series 5, Second Preferred Shares to the investment dealers at \$25 per share.

We continue to bear the up-front costs of anti-dumping duty deposits required by the U.S. Department of Commerce ("DOC") on certain wire rod imported into the U.S. from Canada. In October, the DOC announced an anti-dumping duty deposit rate of 9.9% for Ivaco on

certain of its wire rod shipments into the U.S. The final countervailing duty rate for Ivaco was set at zero by the DOC.

In October 2003, either the Company or the U.S. industry may request the DOC to conduct a review to determine the actual anti-dumping duties owed by the Company during the first administrative review period, April 10, 2002 to September 30, 2003. The market conditions that caused this dumping rate for Ivaco have changed since the period of investigation and Ivaco is optimistic that once the DOC reviews the more current period, this rate will be reduced. Any difference between the anti-dumping duties deposited by the Company and the final duties determined by the DOC as a result of the review will be refunded to the Company with interest. Going forward the duty deposits will then be based on the new rate established for the first administrative review period April 10, 2002 to September 30, 2003.

Canada's economy has been strong in 2002 and this is expected to continue in 2003. The U.S. economy has not demonstrated comparable growth but has actually dipped sharply during February and March 2003.

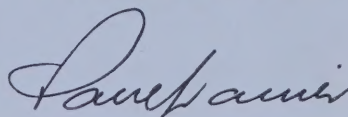
The index of manufacturing activity in the United States (as reported by the Arizona based Institute for Supply Management) has dropped from 53.9% in January to 50.5% in February and in March the index has dropped further to 46.2%. However, we remain optimistic that as the year progresses the situation in the U.S. will improve and benefit North American manufacturers like Ivaco.

Our businesses in 2003 will continue to focus on further sharpening our production and marketing skills. This includes developing new products for value-added markets, and further diversifying product lines. At the same time, we will continue to concentrate on improving productivity and cutting costs.

Our success in these endeavors is due not only to our focus on our long-term strategic goals but also thanks to the efforts of our highly skilled and experienced workforce. I would like to take this opportunity to thank all our employees for their hard work during 2002, and I would also like to thank our customers and shareholders for their continuing support.

I would also like to take this opportunity to thank Mr. Michael Herling for his many years of dedicated service and valuable counsel. Mr. Herling, a Senior Vice-President, retired from the Company and the Board of Directors on March 31, 2003, but will remain an honorary director of Ivaco.

On behalf of the Board of Directors,



Paul Ivanier,
President and Chief Executive Officer

Wire Rod

(\$ in millions)	2002	2001
Sales ⁽¹⁾	\$ 519.7	\$ 470.9
EBITDA	\$ 43.9	\$ 34.7
Tons shipped – wire rods	842,600	834,400
Tons shipped – billets	45,100	74,400
Total Tons shipped	887,700	908,800

⁽¹⁾ Includes shipment of wire rod to downstream affiliates and sale of billets to third parties.

IVACO ROLLING MILLS

Ivaco Rolling Mills set production and productivity records in 2002 as it continued to build on its ability to produce high quality wire rod for value-added markets. In spite of difficult industry conditions, including anti-dumping actions in the U.S. and an influx of offshore wire rod, IRM operated at near capacity throughout the year and produced a record 860,000 tons of wire rod in 2002, a 4% increase over 2001. An additional year of training and experience with new equipment installed during a major three-year plant upgrade program helped increase rod productivity to 107 tons per hour for 2002.

North American wire rod markets recovered somewhat last year from an extremely poor year in 2001 and IRM was able to introduce some price increases. However, North American industry conditions kept pricing pressures on IRM throughout the year. In this environment, IRM focused on gaining market share by

providing its customers with superior products and service. It continued to diversify its product range and made significant progress in the high end of the market for cold heading steels. IRM is one of only three mini mills in North America producing cold heading wire rod and its superior research capabilities give it a distinct competitive advantage in this market.

IRM's world-class plant at L'Original, Ontario features state-of-the-art facilities and systems. Premium grade, value-added products now account for approximately 80% of the rod mill's output. IRM's steel requirements are met by its own steel mill and outside suppliers. This ensures that the rod mill has a guaranteed supply of high quality steel billets to support IRM's increased emphasis on value-added products. IRM also offers customers fully processed wire rod through affiliated companies and outside sources. A big part of its success in cold heading steels lies in its ability to satisfy the growing demand for processed wire rod.

IRM has made tremendous strides in recent years improving wire rod quality. A combination of high quality steel billets, modern equipment and strong research capabilities is allowing it to develop important new niche markets for cold heading steel. This gives it a two-fold advantage in the marketplace: new grades of cold heading steel that its competitors have been unable to duplicate, and added value for its customers. For example, IRM has successfully introduced cast aluminum-killed cold heading quality steel for specialized applications such as spark plug shells. This steel has characteristics that make it easier and less expensive for customers to manufacture difficult shapes. Research during 2002 focused on wire rods for new bearing steels, tool steels and smaller diameter wire rods that command a significant





Four strand continuous billet caster. 1

Billet transfer at rod mill rehear furnace. 2



price premium providing customers with considerable savings in manufacturing costs. At the same time, IRM continued to work on developing better products for promising existing markets such as tire cord.

As the requirements for high quality wire rod become increasingly complex and as inventory management responsibilities are pushed farther down the supply chain, IRM's relationships with its key customers are changing dramatically. Closer ties are being forged as IRM increases its knowledge of its customers' market requirements, and uses its research and product development expertise to save customers money.

Maintaining IRM's production facilities in state-of-the-art condition is an ongoing concern. In the rod mill, two new cross sectional area gauges provide more consistent control of mill operations, real time display of cross section areas, and eliminate the need to do periodic sampling and measuring off-line. Another series of experimental gauges being installed in 2003 is expected to result in more reliable operations, better yield, and lower

costs. In the steel mill, a more efficient burner system for the melt shop is being considered and engineering studies are underway for a possible new oxygen plant.

IRM's highly effective safety training program continued to earn significant premium rebates from the Workplace Safety and Insurance Board in 2002. In addition, IRM capitalized on the Ontario government's decision last May to open the electricity market to competition for supply by implementing new buying and operating strategies that have allowed it to control its electricity costs. In November, IRM passed its recertification audit for the ISO-9000:2000 quality standard.

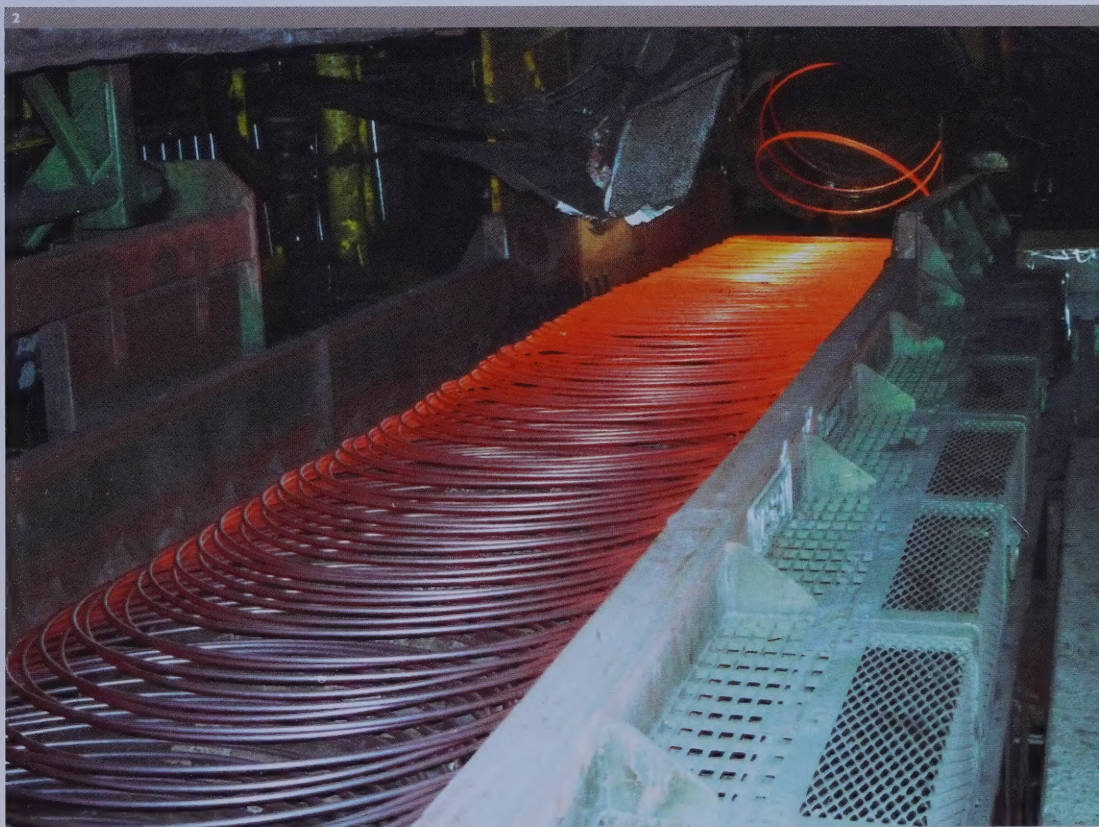
In 2003, faced with continued uncertainty in its major markets and high automotive industry inventories, IRM will focus on developing specialized steels penetrating new markets for value-added wire rod products, and keeping tight system controls on costs.

Aerial view of L'Original steel making and rod mill complex.

1

Ring formation at rod mill laying head.

2



Fabricated Steel Products

Fasteners, Wire and Wire Products

(\$ in millions)	2002	2001
Sales	\$ 509.7	\$ 496.3
EBITDA	\$ 38.5	\$ 44.1

FASTENERS

Ifastgroupe operated at 80% of capacity during 2002, an improvement over 2001, despite a sluggish global industrial economy and extremely low offshore import prices. Operating earnings increased marginally because of improved productivity and in spite of higher costs for raw materials, energy and labor, which had an adverse impact on margins.

Ifastgroupe is the largest producer of fasteners in North America and one of the low cost producers in each of its markets. During the year, its divisions faced mixed industry conditions. The automotive industry remained strong but there was continuing weakness in the trucking, agricultural and transmission tower industries. Markets for some of Ifastgroupe's products improved in the second half of 2002 but the structural bolt market deteriorated as the year progressed.

Infasco, which produces bolts, nuts and other fastener products at its one million-square-foot manufacturing facility in Marieville, Québec, responded to this difficult industry environment by focusing on improved product planning and better inventory management at its network of warehouses in Canada and the United States. This customer-oriented warehouse network (known as Distributor Sales in the United States), a broad customer base, and the largest size range in its product line, were strengths that worked to Infasco's advantage during a year of volatile market activity. In 2002, Infasco acquired new nut tappers at its Marieville plant and implemented an online interactive service center for its warehouse customers. It also began installing a new automated packaging line to pack fasteners in small packages, which will be operational in the first half of 2003.

Ingersoll Fasteners, which manufactures value-added fasteners, had higher sales as a result of further penetration of automotive based markets. Operating levels increased in the second half of the year after a slow first half. However, increases in the cost of raw materials and energy, plus pricing pressures from other suppliers, impacted margins negatively throughout the year.

Infasco Nut, a manufacturer of specialty nuts in Mississauga, Ontario, experienced strong demand for its product in 2002.



Volumes and sales were up but average selling prices dropped. Production of value-added products such as nut/washer assemblies increased significantly and a new assembly machine was purchased for this product line. In addition, a new product line of nylon insert nuts for the automotive industry was launched. Non-direct automotive business increased 20% during the year, a trend that is expected to continue.

Ifastgroupe will continue to focus on diversifying its product lines in 2003.

Infasco boltmakers using steel wire rod in coils to produce a wide range of bolts.

1

Containers of bolts with bar coded labels in Infasco's Marieville warehouse.

2

Large diameter boltmaker at Infasco produces cold forged bolts in diameters up to 1 1/4" and lengths up to 14".

3



Fabricated Steel Products

WIRE AND WIRE PRODUCTS

During 2002, Sivaco Wire Group had to cope with a slow economy that hurt its U.S. markets. It had moderate success increasing prices on some products but higher costs for raw materials and labor more than offset these price increases and kept pressure on margins and operating earnings. Nevertheless, Sivaco maintained steady production levels at its plants in Marieville, Québec and Newnan, Georgia and significantly improved its product mix. It

continued to make major inroads into higher margin, value-added markets and increased its production of cold heading wire by almost 50%.

The difficult economic and market conditions Sivaco faced during 2002 were key factors in its decision in February 2003 to relocate operations from Newnan. As a result, the wire drawing equipment and the pre-stressed concrete strand equipment are being relocated to Sivaco Wire Group's 500,000 square foot plant in Marieville. Some of the equipment at Newnan will be moved to



Sivaco's rod processing plant at Ingersoll, Ontario. Operations at the Newnan plant are being phased out but Sivaco's corporate office will remain in Newnan.

Sivaco is one of the premier manufacturers of high quality wire and wire products in North America with the capacity to produce in the area of 400,000 tons of wire and processed rod per year.

Sivaco Québec faced tough market competition in 2002, which kept pressure on prices and had a negative impact on margins.

However, it was able to operate at near capacity throughout 2002 during which it exceeded its production, and as well as sales levels of the previous year. Its new computer-controlled HCL cleaning line operated successfully during its first full year, providing improved steel quality and throughput enabling the plant to produce more value-added wire.

Sivaco Georgia increased production and sales slightly but margins shrank primarily as a result of domestic and offshore pricing pressures. The new PC Strand line, which produces pre-stressed strand wire used to reinforce concrete structures, ran smoothly during its full year of operation. It generated strong volumes and a well-received product but pricing suffered because of over capacity in the industry and an influx of imported strand from many offshore countries.

Sivaco Wire Group expects to increase sales in 2003 and operate at or near capacity. During 2000 and 2001, it increased capacity and acquired new state-of-the-art technology, which has positioned it to make further inroads into value-added markets. In 2003, Sivaco will focus on improving its product mix, cutting costs, and continuing its rapid expansion into markets for cold heading wire where it has developed a strong, stable customer base.



Sivaco's ongoing commitment to Ebner state-of-the-art technologies in furnaces for its cold heading programs.

1

Sivaco's in-line automatic spooling for its galvanized wire products.

2

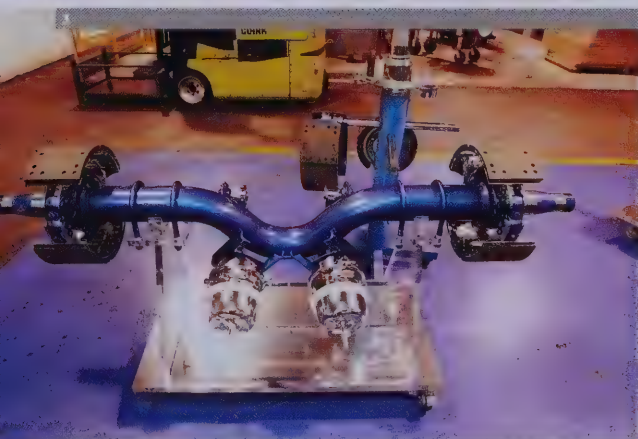
Sivaco's high-speed wire drawing machines and spooling equipment for sophisticated high carbon programs.

3

Precision Machined Components

IMT Corporation

(\$ in millions)	2002	2001
Sales	\$ 56.0	\$ 56.2
EBITDA	\$ 3.8	\$ 4.9



IMT Corporation had mixed results from its business groups in 2002 and ended the year with lower operating earnings. Forging sales and profits increased as the forging group gained market share with its transportation, defense, and oil and gas customers. The defense group maintained sales levels as more of the group's business came from the U.S. market. The machining group increased sales but higher costs resulted in lower margins, and the axle group had another slow year marked by significantly lower volumes.

IMT, based in Ingersoll, Ontario, manufactures high quality precision machined components for the truck-trailer, original equipment manufacturing, and defense industries. P.C. Drop Forgings, a division of IMT based in Port Colbourne, Ontario, supplies hot forged components to IMT and other industries.

Sales and operating earnings are expected to increase in 2003. The forging group will continue to build market share and some recovery is expected in the axle and defense groups.

DOCAP (1985) CORPORATION

Docap is an industry leading distributor of automotive after market and industrial products serving automotive, heavy duty truck, industrial and hardware markets. It continued to build its market share in 2002 with the major hardware chains across Canada and successfully introduced a new line of consumable products. While Docap's main focus in 2003 will remain on private branded import products, it will also distribute a number of new high profile national branded domestic products to industrial, hardware and automotive accounts. The outlook for 2003 is positive.

*IMT Corporation manufacturing facility
at Ingersoll, Ontario.*

Horizontal machining center.

Drop center axle.

Management's Discussion and Analysis

The purpose of this Management Discussion and Analysis (MD&A) is to provide Ivaco Inc.'s (Ivaco or the Company) management commentary on the Company's consolidated results of operations, financial condition, and cash flows, and should be read in conjunction with the audited consolidated financial statements of the Company that are presented on page 20 to page 37 of this Annual Report. This discussion and analysis focuses on the three operating segments of Ivaco's business: Steel, Fabricated Steel Products, and Precision Machined Components.

OVERVIEW

Sales

For the fiscal year ended December 31, 2002, net sales were \$937.5 million, up \$45.5 million or 5.1% over 2001 net sales of \$892.0 million. The increase in consolidated net sales was due to increased shipment volumes combined with a richer mix of value-added products in both the Steel and the Fabricated Steel Products segments. The Steel segment reported the most significant improvement with external sales of \$371.8 million being \$32.2 million or 9.5% higher than the previous year. The higher volume of wire rod shipments, as well as an improved product mix particularly in the higher value-added grades, were the contributing factors. Despite the continuing sluggish global and domestic economies throughout 2002, the Fabricated Steel Products segment was able to increase sales by \$13.5 million or 2.7% to \$509.7 million for the year. Sales in the Precision Machined Components segment remained unchanged for the year.

EBITDA

EBITDA is defined as operating earnings before net interest expense, dividends on Second Preferred Shares, Series 5, foreign exchange gains or losses, gain on disposals of operating assets, amortization, non-recurring items and income taxes. EBITDA is not a measure of performance under Canadian generally accepted accounting principles, however, management uses this performance measure in assessing the operating performance of its reportable segments. EBITDA for 2002 declined by 8.4% to \$63.4 million. This compares to \$69.2 million in 2001. In the Steel segment increased shipments of wire rods, productivity improvements and an enriched product mix offset by escalating scrap prices and energy costs helped EBITDA increase to \$43.9 million up from \$34.7 million in 2001. Increases in raw material and energy costs offset by moderate price increases and increased volumes resulted in EBITDA for the Fabricated Steel Products segment declining to \$38.5 million from \$44.1 million in 2001. Lower margins were the principal factor in the reduction of EBITDA to \$3.8 million from \$4.9 million in the Precision Machined Components segment.

Financial Charges

Net interest expense of \$24.1 million in 2002 compares with \$27.2 million in 2001. The decrease in interest rates on the Company's floating rate long-term debt combined with the reduction of the Company's long-term debt in accordance with their terms were the principal reasons for the decline of \$3.1 million.

The foreign exchange gain on U.S. dollar denominated non-current monetary assets and liabilities was \$0.5 million for 2002. This compares to a restated loss of \$10.7 million in 2001. Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (C.I.C.A.) under which unrealized foreign currency translation gains and losses on U.S. dollar denominated non-current monetary assets and liabilities are recognized immediately in the consolidated statements of earnings rather than deferred and amortized. Accordingly, the 2001 amounts for foreign exchange gain (loss), amortization, income tax recovery and net loss have been restated, and as of January 1, 2002 other assets were reduced by \$10.0 million and opening deficit was

increased by \$9.7 million and future income tax liabilities were decreased by \$0.3 million.

Amortization

Amortization expense for the year was \$49.7 million, \$5.7 million higher than restated 2001. This increase can be attributed to the higher amortization of capital assets resulting from the Company having spent \$50.5 million for the years 2001 and 2002 on plant modernization and expansion for new quality products.

Non-recurring items

In July 2002, the Company completed the redemption of \$95.0 million Exchangeable Second Preferred Shares, Series 4 from the proceeds of the sale of 2,969,566 common shares of Dofasco Inc. This transaction resulted in a net gain of \$30.2 million. In December 2002, the Company recorded a \$7.1 million provision against construction contracts receivable and claims recorded in prior years, and expensed costs of \$2.0 million related to an investment that was previously written off.

Income taxes

Ivaco reported a consolidated income tax recovery of \$4.0 million in 2002 compared to a restated income tax recovery of \$5.4 million in 2001. There were no income taxes recorded on the gain of the above-mentioned sale of the Dofasco shares as a result of the application of previously unrecorded capital loss carryforwards.

In 2002, the Company reported a net profit of \$7.6 million, or a loss of \$0.17 per share, after deducting preferred share dividends of \$12.5 million (2001 - \$16.3 million), compared to a restated net loss of \$42.4 million or a restated loss per share of \$2.07 in 2001.

The weighted average number of common shares outstanding for 2002 was 27,622,255 compared to 28,326,199 for 2001. This reduction relates to common shares purchased by the Company during 2002 under normal course issuer bids. At December 31, 2002, there were 26,953,622 common shares outstanding.

RESULTS OF OPERATIONS

The following is a summary of sales and EBITDA:

(thousands of dollars)	Sales		EBITDA	
	2002	2001	2002	2001
Steel	\$371,753	\$339,512	\$ 43,902	\$ 34,651
Fabricated				
Steel Products	509,741	496,277	38,468	44,128
Precision Machined				
Components	55,981	56,231	3,799	4,921
Other	-	-	(22,740)	(14,464)
	\$937,475	\$892,020	\$ 63,429	\$ 69,236

Steel

The Company's steel operations are comprised of its steel and wire rod manufacturing facilities at Ivaco Rolling Mills (IRM) in L'Orignal, Ontario and the use of Ivaco's wire rod processing plants at Ingersoll, Ontario and Tonawanda, New York. A significant portion of IRM's production is sold to a diverse group of customers in Canada and in the United States, which manufacture products for the automotive, agricultural and construction industries and other manufacturers of wire and wire products. These products are wide-ranging and include welding wire, spring wire, tire cord and products requiring cold heading quality wire rod for a multitude of applications. The wire rod processing plants provide various heat treatment, cleaning and coating applications to further enhance IRM's ability to deliver customized product and service to value-added markets.

Management's Discussion and Analysis

Sales for the Steel segment increased to \$371.8 million in 2002 from \$339.5 million in 2001, a 9.5% increase. Overall volume of shipments of wire rod was marginally higher than 2001. The Company continues to build on its ability to produce high quality wire rod for value-added markets. In 2002, as a percentage of IRM's overall product range, value-added special chemistry steels remained at 80%, as in 2001, with sales of cold heading grades continuing to increase strongly. Selling prices continued under pressure throughout 2002 due, in part, to the inconsistent performance of the North American economy, and continued strength of the U.S. dollar, making it an attractive market for many offshore importers. Despite these difficulties, IRM was able to achieve some price increases on many of its grades. Additional wire rod price increases have been announced in the first quarter of 2003 in the form of scrap surcharges that will permit the Company to recover some of the recent run-up in scrap prices. Sales of billets as a proportion of total steel output declined to 5% versus 8% in 2001. These sales are made to maintain lower billet inventories. There were no significant gains or losses recorded in 2002 on billet sales.

Productivity at the rod mill continued to improve during 2002 with the average rolling rate increasing to 107 tons per hour, up from 102 tons per hour in 2001. Productivity in the steel plant declined by 7% over the previous period.

In October 2002, the U.S. International Trade Commission (USITC) issued a final determination that imports of certain wire rod are injuring the U.S. domestic industry.

As a result, pursuant to an investigation by the U.S. Department of Commerce ("DOC"), the Company is required to make anti-dumping duty deposits of 9.9% on shipments into the United States of certain wire rod.

In October 2003, either the Company or the U.S. industry may request an administrative review. The purpose of the review is to determine the actual anti-dumping duties owed by the Company during the first administrative review period, April 10, 2002 to September 30, 2003. Any difference between the estimated anti-dumping duties deposited by the Company and the final anti-dumping duties determined by the DOC as a result of the review will either be refunded to the Company or paid by the Company. The difference between the amount deposited by the Company since April 10, 2002 and management's estimate of the anti-dumping margin was recorded in other assets.

An anti-dumping order is usually in place for five years after which the USITC is required to determine if a revocation of the order will lead to a recurrence or continuation of material injury. An individual company may request to be excluded from the anti-dumping order, if it can show no dumping for three consecutive years.

The Company is appealing the USITC decision under the North American Free Trade Agreement. A panel will be appointed to review the injury determination with respect to Canada.

The cost of steel scrap and scrap substitutes is a significant component of IRM's steel operations' manufacturing costs. In 2002, average scrap prices increased by 13.8% over the previous year. These increases were a result of very strong export markets, particularly in the Asian markets. Energy is also a major cost component. The electricity market in Ontario opened to competition in May 2002. In anticipation of that event, Ivaco Rolling Mills, which is a major power consumer in Ontario, implemented operating systems and signed supply contracts to enable it to realize value from its operating flexibility. Natural gas prices remained at historically high levels, despite coming off the peak prices experienced in the winter of 2001.

IRM was able to increase its margins and the Steel segment reported EBITDA of \$43.9 million, up \$9.2 million or 26.7% from the \$34.7 million reported in 2001. Net interest expense for the segment for 2002 decreased by 24.4% due to reduced levels of debt and lower borrowing rates.

Fabricated Steel Products

The Company's Fabricated Steel Products segment is comprised of the fastener operations (Ifastgroupe) and the wire operations of the Sivaco Wire Group (SWG).

Ifastgroupe manufactures cold forged bolts, as well as hot and cold forged standard nuts, and is a major producer of speciality fasteners. Ifastgroupe's products are sold to numerous markets, including the automotive, construction, heavy machinery, transportation, and oil and gas industries in most regions of Canada and the United States. SWG manufactures a wide variety of wire and wire products, including bright and galvanized high carbon and low carbon wire, cold heading wire, nails, and P.C. strand. Markets for SWG's products include automotive, construction, heavy machinery, transportation, communication, and industrial manufacturing.

Overall sales in the Fabricated Steel Products segment rose by 2.7% to \$509.7 million, an increase of \$13.4 million from the \$496.3 million in sales reported in 2001. EBITDA for the segment of \$38.5 million was down \$5.6 million or 12.7% from the \$44.1 million recorded in the previous year.

Ifastgroupe continued to face extremely difficult market conditions in 2002 although demand for its products improved in the second half of 2002. Most market sectors for Ifastgroupe's products continued to be affected by the ongoing North American economic recession and low offshore import prices. Despite these difficult conditions overall tons shipped in 2002 were similar to the levels achieved in 2001. In 2001, Ifastgroupe reduced its production output in order to maintain appropriate inventory levels. However, in 2002, with the increased demand for certain of its products, Ifastgroupe increased its output and hence was able to improve margins.

SWG sales revenues increased by 5.8% over the same period last year, in large part due to the improved volumes and increased prices for some of its products. Sivaco Georgia continued to increase its shipments of high carbon and cold heading wire products resulting in an improved product mix. Increased volumes, improved pricing and a favorable foreign exchange rate contributed to Sivaco Georgia's 39.2% increase in sales. Sivaco Québec in Marieville increased its shipments of cold heading and high carbon bright wire products during 2002, but this was offset by lower shipments of some galvanized wire products. Many of the benefits achieved by SWG were more than offset by higher costs for raw materials, energy and transportation. During the first quarter of 2003, SWG initiated plans to consolidate its Sivaco Georgia wire manufacturing operations into its Marieville, Québec and Ingersoll, Ontario facilities.

Net interest expense for 2002 was \$11.1 million a reduction of \$3.8 million or 25.5% compared to 2001 interest expense of \$14.9 million. This decline can be attributed to the lower interest rates and the ongoing reduction of long-term debt. Amortization expense increased by 24% resulting from the higher amortization of capital projects completed over the last two years.

Precision Machined Components

IMT Corporation in Ingersoll, Ontario fabricates steel forgings and precision machined components.

The Precision Machined Components segment reported sales of \$56.0 million, down marginally from the \$56.2 million recorded in 2001.

Management's Discussion and Analysis

Operating margins were lower as a result of higher manufacturing costs for certain of its product lines combined with lower margins on its export sales. Amortization costs and interest costs were both down from the previous year.

Other

Ivaco's Other segment includes corporate and other.

In 2002 EBITDA was a loss of \$22.7 million, compared to a loss of \$14.5 million in 2001, a deterioration of \$8.2 million from the previous year. The previous year's loss included losses from billet sales and was reduced by environmental insurance and provision recoveries, pension plan income and foreign exchange gains on Notes Receivable. The current year's loss does not include any of these items.

Quarterly Results

Quarterly results for 2002 and 2001 were as follows:

(millions of dollars)	Sales		Net Earnings (loss)		Earnings (loss) per share	
	2002	2001	2002	2001*	2002	2001*
1st Quarter	\$230.2	\$222.3	\$ 2.8	\$(2.5)	\$(0.04)	\$(0.23)
2nd Quarter	245.3	248.7	4.3	12.7	0.02	0.30
3rd Quarter	228.8	211.4	15.6	(10.8)	0.49	(0.52)
4th Quarter	233.2	209.6	(15.1)	(41.8)	(0.64)	(1.62)
Total	\$937.5	\$892.0	\$ 7.6	\$(42.4)	\$(0.17)	\$(2.07)

* Effective January 1, 2002, the Company adopted the new recommendations of the C.I.C.A. under which unrealized foreign currency translation losses on U.S. dollar denominated non-current monetary assets and liabilities are recognized immediately in the consolidated statement of earnings rather than deferred and amortized. The 2001 amounts are restated on a comparable basis.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Working capital provided from operations in 2002 was \$24.2 million compared to \$31.1 million for the year ended December 31, 2001. The reduction of \$6.9 million in the working capital provided from operations reflects the higher scrap and raw material costs and the anti-dumping duties relating to wire rod shipments to the U.S., offset by slightly higher sales volumes, the favourable impact of the Canadian dollar versus the U.S. dollar, and an improved product mix.

Working capital as at December 31, 2002 of \$148.8 million was down \$38.5 million. The Company experienced a lower cash and cash equivalents position in 2002 resulting primarily from operational needs as well as the redemption of Second Preferred Shares, Series 5, the purchases of Preferred and Second Preferred shares on the open market and the purchase for cancellation of the Class A shares under its normal course issuer bid.

It is anticipated that internally generated cash flows from operations, credit facilities, asset sales and other sources of capital and financing will prove adequate to meet ongoing cash requirements for operations, capital expenditures and capital repayments.

Dividends

Dividends on Preferred Shares and Second Preferred Shares included in both the statement of earnings and the statement of retained earnings (deficit) were \$7.5 million and \$12.5 million respectively or a total of \$20.0 million in 2002, compared to \$23.3 million in 2001. Of the dividends in 2002, \$11.1 million were paid in cash and \$8.9 million were paid in Second Preferred Shares, Series 5. The decline in dividends was a result of the redemption in July 2002 of 2,969,566 Exchangeable Second Preferred Shares, Series 4.

Investing Activities

During the year, the Company invested \$10.5 million (including \$1.8 million in new capital lease obligations) in capital assets. This was down significantly from the \$40.0 million (including \$15.2 million in new capital lease obligations) invested in 2001. The three most significant components of spending in 2002 were the installation of wire drawing equipment at Sivaco Québec, the addition of an automatic coiler at Sivaco Georgia, and the purchase of a second compactor at Ivaco Rolling Mills, which is expected to be installed and operational in 2003.

In 2002, Ivaco recorded \$94.7 million of net proceeds on the disposals of 2,969,566 common shares of Dofasco Inc.

Capital Structure

At December 31, 2002, shareholder's equity was \$266.7 million, compared to a restated 2001 shareholders' equity of \$374.3 million. The 2001 amount has been restated as previously mentioned, because of new requirements of the C.I.C.A. The decline in 2002 can be attributed primarily to the previously noted redemption of the Exchangeable Second Preferred Shares, Series 4, and declared preferred dividends of \$12.5 million offset by net earnings of \$7.6 million and gain on purchase of shares of \$6.4 million.

In 2002, under its normal course issuer bids, Ivaco purchased for cancellation 1,098,800 Class A Subordinate Voting shares at an average price of \$3.84, which resulted in a gain of \$6.3 million being included in retained earnings (deficit).

During the year, the Company purchased on the open market for cancellation 32,700 Second Preferred Shares, Series 1; 42,600 Second Preferred Shares, Series 2; 25,700 Second Preferred Shares, Series 3; 5,560 Preferred Shares, Series C; 1,200 Preferred Shares, Series D; and 10,200 Preferred Shares, Series E. These purchases resulted in a gain of \$0.1 million, which was included in retained earnings (deficit).

On March 31, 2002, the Company redeemed for cash, at \$25 per share, 436,338 Second Preferred Shares, Series 5 with a stated capital of \$10.4 million in accordance with their terms. During 2002, 260,000 Second Preferred Shares, Series 5 with a stated capital of \$6.5 million were issued in connection with the disposal of the shares of Dofasco Inc.

Long-term debt was \$255.0 million at December 31, 2002, down \$10.2 million from \$265.2 million at December 31, 2001. This decrease is attributable to the repayment of long-term debt in accordance with their terms, offset by the increase in revolving bank lines of \$42.4 million which amount had previously been reduced temporarily. At December 31, 2002, the ratio of long-term debt to shareholders' equity was 49:51 compared to the ratio at December 31, 2001 of 41:59.

Cash Resources

Cash and cash equivalents were \$27.7 million at December 31, 2002 compared to \$53.3 million at December 31, 2001. Operating activities provided \$24.2 million of cash while financing activities used \$135.9 million, including the redemption and repurchase of Preferred and Second Preferred Shares which included redemption of \$95.0 million of Exchangeable Second Preferred Shares, Series 4 and repayment of long-term debt. Investing activities provided \$86.1 million including the net proceeds on the disposal of the Company's investment in Dofasco Inc. for \$94.7 million offset by net additions to capital assets of \$8.7 million. The ratio of current assets to current liabilities was 1.5:1 compared to 1.7:1 in 2001.

Management's Discussion and Analysis

RISKS

Financial

Ivaco is subject to some risk associated with currency and interest rate fluctuations.

Interest rate

A significant portion of the Company's long-term debt is at fixed interest rates and therefore its exposure to interest rate risks has been reduced.

Foreign Currency

The Canadian operations of the Company generate substantial revenues in U.S. dollars, primarily through exports of products manufactured in Canada. For 2002, the Company's exports sales were \$661.1 million (\$631.5 million in 2001), substantially all of which were to United States customers.

The Company's Canadian operations also incur substantial costs in U.S. dollars related to materials used in the manufacturing process and for principal and interest payments on its U.S. dollar denominated debt. Subject to the Company's hedging strategy, any increase in the Canadian dollar relative to the U.S. dollar adversely affects the Company's consolidated earnings, whereas any decrease in the Canadian dollar relative to the U.S. dollar has a positive effect on earnings.

From time to time, the Company enters into forward exchange contracts for some of its Canadian operations. This is done to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollar expenditures including principal and interest payments on U.S. dollar denominated debt. The extent of such hedging varies from time to time and there can be no assurance that such strategy will be successful in the future in materially reducing the Company's exposure to currency fluctuations.

Business

The markets in which the Company operates are highly competitive, both in Canada and in the United States. The Company competes in its markets based on quality, service, technical innovation, delivery time and price. Competitors range in size from relatively small regional companies to large corporations that are national and international in geographic coverage. Some of the Company's competitors may have greater financial and other resources than the Company.

North American producers of wire rods, fasteners and certain wire products including nails and PC strand face significant competition from certain offshore competitors who typically have lower labour costs. The intensity of the Company's offshore competition in these product lines is substantially affected by fluctuations in the value of the U.S. dollar and the Canadian dollar against several other currencies. Some offshore producers of steel and products made of steel may continue to ship such products into the North American market despite decreasing profit margins or losses. There can be no assurance that offshore competition might not increase in the future, which may adversely affect the Company's earnings.

Environmental

Ferrous scrap is the principal raw material used by the Company's steelmaking operations. The recycling of scrap has positive contributions to the environment. In addition, the Company's other facilities and operations are engaged in businesses, which are subject to an evolving body of environmental laws and regulations concerned with air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances.

The Company's Environmental, Health and Safety department regularly reviews and audits each segment's operating practices to monitor compliance with the Company's environmental policies and legal requirements. Ivaco believes it is in material compliance with all laws and regulations relating to the environment.

Based on known existing conditions, and the Company's experience in complying with emerging environmental issues, it is the Company's view that future costs relating to environmental compliance will not have a material effect on its financial position. However, this is a dynamic and constantly changing area of legislation and there is no assurance that unforeseen changes in the law (such as, among others, the regulation of greenhouse gas emissions) or enforcement policies of the various regulatory agencies would not result in significant costs in the future.

Future Accounting Changes

The C.I.C.A. has issued new Handbook Section 3063 *Impairment of Long-Lived Assets*, which is to be applied prospectively, and is effective for fiscal years beginning on or after April 1, 2003. This new section establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets. The Company's management has not yet determined the impact of the adoption of the new standard on the Company's financial statements.

Outlook

Canada's economy has been strong in 2002 and this is expected to continue in 2003. The U.S. economy has not demonstrated comparable growth but has actually dipped sharply during February and March 2003.

The index of manufacturing activity in the United States (as reported by the Arizona based Institute for Supply Management) has dropped from 53.9% in January to 50.5% in February and in March the index has dropped further to 46.2%. However, the Company remains optimistic that as the year progresses the situation in the U.S. will improve and benefit North American manufacturers like Ivaco.

Ivaco's businesses in 2003 will continue to focus on further sharpening its production and marketing skills. This includes developing new products for value-added markets, and further diversifying product lines. At the same time, Ivaco will continue to concentrate on improving productivity and cutting costs.

The Canadian dollar has increased relative to the U.S. dollar so far in 2003. As previously mentioned, any increase in the Canadian dollar relative to the U.S. dollar adversely affects the Company's consolidated earnings, whereas any decrease in the Canadian dollar relative to the U.S. dollar has a positive effect on consolidated earnings.

The Company continues to bear the up-front costs of anti-dumping duty deposits required by the U.S. Department of Commerce ("DOC") on certain wire rod imported into the U.S. from Canada. The final countervailing duty rate for Ivaco is set at zero. The market conditions that caused this anti-dumping rate for Ivaco have changed since the period of investigation and Ivaco is optimistic that once the DOC completes the first administrative review, this rate will be reduced. Any difference between the anti-dumping duties deposited by the Company and the final duties determined by the DOC as a result of the review, will be refunded to the Company with interest. Subsequent to the review, the duty deposits will be based on the new rate.

Subsequent Event

On March 31, 2003, in accordance with their terms, the Company redeemed 453,643 of its \$2.625 Second Preferred Shares, Series 5 at \$25 per share by issuing 6,032,487 Class A Subordinate Voting Shares with an aggregate value of \$11.3 million.

This MD&A contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements.

Management's Responsibility

for Consolidated Financial Statements

The accompanying consolidated financial statements of Ivaco Inc. and its subsidiaries are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include, where appropriate, estimates based on the judgment of management. Financial and operating data elsewhere in the annual report are consistent with those contained in the accompanying consolidated financial statements.

In fulfilling its responsibilities, management of Ivaco and its subsidiaries has developed and continues to maintain systems of internal accounting controls, including policies and procedures, and segregation of duties and responsibilities. While no system of internal control can detect and prevent all errors and irregularities, management believes that the systems in place provide an acceptable balance between benefits to be gained and the related cost.

The Board of Directors carries out its responsibility for review and approval of the consolidated financial statements principally through its Audit Committee. The Audit Committee of the Board of Directors has three members, all of whom are independent directors. They meet periodically with management and with external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the consolidated financial statements and financial reporting matters.

The consolidated financial statements have been audited on behalf of the shareholders by Deloitte & Touche LLP, in accordance with Canadian generally accepted auditing standards. Their report contains the nature of their audit and expresses their opinion on the consolidated financial statements of the Company. Deloitte & Touche LLP, have full access to the Audit Committee.

Paul Ivanier
President and Chief
Executive Officer

Albert A. Kassab
Senior Vice-President and
Chief Financial Officer

Hugh W. Blakely
Vice-President and Controller

February 21, 2003

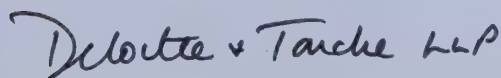
Auditors' Report

To the Shareholders
of Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Montréal, Québec
February 21, 2003

Consolidated Statements of Financial Position

AS AT DECEMBER 31

(Thousands of dollars)

		2002	2001
			(Note 1)
Current Assets	Cash and cash equivalents	\$ 27,684	\$ 53,315
	Accounts receivable – trade and other	107,440	113,392
	Inventories (Note 3)	309,842	298,802
	Prepaid expenses	6,798	6,393
	Total current assets	451,764	471,902
Current Liabilities	Bank indebtedness, partly secured	15,466	19,499
	Accounts payable and accrued liabilities		
	Trade and other	203,557	174,906
	Dividends payable	4,211	5,891
	Income taxes payable	6,409	8,800
	Future income tax liabilities (Note 12)	9,724	8,413
	Current maturities, Second Preferred Shares, Series 5 (Note 8)	10,828	9,911
	Current maturities of long-term debt (Note 9)	52,783	57,220
	Total current liabilities	302,978	284,640
	Working capital	148,786	187,262
	Investments (Note 4)	-	58,623
	Capital assets (Note 5)	406,290	432,113
	Cash in collateral account (Note 6)	32,786	36,762
	Other assets (Note 7)	63,274	73,121
	Total investment	651,136	787,881
	<i>Deduct:</i>		
	Long-term debt (Note 9)	255,004	265,244
	Second Preferred Shares, Series 5 (Note 8)	61,360	56,163
	Employee future benefits (Note 10)	34,921	53,106
	Future income tax liabilities (Note 12)	33,132	39,024
		384,417	413,537
Shareholders' Equity		\$ 266,719	\$ 374,344
Represented by:	Capital stock (Note 11)	\$ 320,861	\$ 429,989
	Retained earnings (deficit)	(60,603)	(62,083)
	Cumulative translation adjustment	6,461	6,438
		\$ 266,719	\$ 374,344

See accompanying notes to consolidated financial statements.

On behalf of the board of directors

(signed) Paul Ivanier, Director

(signed) Albert A. Kassab, Director

Consolidated Statements of Earnings

YEARS ENDED DECEMBER 31		
(Thousands of dollars except per share amounts)		
	2002	2001
		(Note 1)
Net sales	\$ 937,475	\$ 892,020
Cost of sales and operating expenses	874,046	822,784
Operating earnings before:	63,429	69,236
Net interest expense	(24,087)	(27,208)
Dividends on Second Preferred Shares, Series 5 (Note 8)	(7,535)	(7,026)
Foreign exchange gain (loss) (Note 1)	456	(10,709)
Earnings from operations before amortization and other items	32,263	24,293
Gain on disposal of operating assets (Note 14)	-	4,584
	32,263	28,877
Amortization (Notes 1, 5 and 7)	(49,745)	(44,087)
Earnings (loss) from operations before non-recurring items and income taxes	(17,482)	(15,210)
Non-recurring items (Note 15)	21,074	(32,602)
Earnings (loss) before income taxes	3,592	(47,812)
Income tax recovery (Note 12)	3,986	5,370
Net earnings (loss)	\$ 7,578	\$ (42,442)
Earnings (loss) per share (Note 2)		
Basic and diluted net earnings (loss) per common share	\$ (0.17)	\$ (2.07)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings (Deficit)

YEARS ENDED DECEMBER 31		
(Thousands of dollars)		
	2002	2001
		(Note 1)
Balance at beginning of year, previously reported	\$ (52,422)	\$ (3,646)
Accounting changes (Note 1)	(9,661)	(3,845)
Balance at beginning of year, restated	(62,083)	(7,491)
Add:		
Net earnings (loss)	7,578	(42,442)
Gain on repurchase of common shares	6,256	4,010
Gain on repurchase of preferred shares	147	128
	13,981	(38,304)
Deduct:		
Preferred dividends – paid in cash	3,534	4,959
Preferred dividends – paid in stock	8,967	11,329
	12,501	16,288
Balance at end of year	\$ (60,603)	\$ (62,083)

See accompanying notes to consolidated financial statements.

Consolidated Statements

of Cash Flows

YEARS ENDED DECEMBER 31

(Thousands of dollars)

		2002	2001
			(Note 1)
Operating Activities	Net earnings (loss)	\$ 7,578	\$ (42,442)
	Amortization	49,745	44,087
	Foreign exchange (gain) loss	(456)	10,709
	Future income tax recovery	(6,441)	(8,991)
	Gain on disposal of investment (Note 15)	(30,155)	-
	Non-recurring non-cash write-off of investments (Note 15)	-	32,602
	Gain on disposal of operating assets (Note 14)	-	(4,584)
	Other non-cash items	3,927	(318)
	Working capital provided from operations	24,198	31,063
	Changes in working capital items		
	Accounts receivable – trade and other	5,952	1,359
	Note receivable	-	53,903
	Inventories	(11,040)	28,156
	Prepaid expenses	(405)	(1,850)
	Accounts payable and accrued liabilities	28,797	(10,675)
	Income taxes payable	(2,391)	(762)
	Others – non-cash items	-	(381)
	Employee future benefits	(18,152)	(13,842)
	Other items	(2,731)	7,950
	Cash provided by operating activities	24,228	94,921
Financing Activities	Dividends	(4,351)	(8,017)
	Repayment of long-term debt	(57,918)	(83,430)
	Additional long-term debt	43,483	25,151
	Decrease in bank indebtedness	(4,033)	(1,980)
	Common shares repurchased	(4,216)	(1,894)
	Preferred and Second Preferred Shares redeemed and repurchased (Notes 8 and 11)	(108,876)	(8,350)
	Other items	-	(306)
	Cash used in financing activities	(135,911)	(78,826)
Investing Activities	Net additions to capital assets	(8,684)	(24,742)
	Net proceeds on disposals of investments and assets	94,736	14,552
	Other items	-	(851)
	Cash provided by (used in) investing activities	86,052	(11,041)
Cash and Cash Equivalents	Increase (decrease) in cash and cash equivalents	(25,631)	5,054
	Cash and cash equivalents, January 1	53,315	48,261
	Cash and cash equivalents, December 31	\$ 27,684	\$ 53,315

Supplemental Cash Flow Information (Note 18)

See accompanying notes to consolidated financial statements.

Notes to Consolidated

Financial Statements

DECEMBER 31, 2002 AND 2001

(All dollar amounts are presented in thousands, except number of shares and per share amounts)

Significant Accounting Policies

The Company follows Canadian generally accepted accounting principles, in the preparation of its consolidated financial statements. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of Ivaco Inc. and its subsidiaries.

The proportionate consolidation method of accounting is used to account for the Company's interest in joint venture operations. This method of accounting brings into the consolidated financial statements, the Company's share of the specific assets, liabilities, sales and expenses of joint venture operations.

Other investments are carried at cost.

Revenue Recognition

Revenue is recognized when goods are shipped and significant risks and benefits of ownership are transferred.

Foreign Currency Translation (Note 1)

Foreign Operations

Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at year-end exchange rates. Revenues and expenses are translated at average exchange rates prevailing during the year. Cumulative gains and losses on translation are deferred and included as a separate component of shareholders' equity.

Monetary assets and liabilities of integrated foreign operations are translated into Canadian dollars at year-end exchange rates. All other assets and liabilities are translated at historical rates. Revenues and expenses (other than amortization, which is translated at the same rates as the related assets) are translated at the rates in effect on the transaction dates or at the average rate of exchange. Translation gains or losses are included in the statement of earnings.

Canadian Operations

Foreign monetary assets and liabilities of Canadian operations are translated into Canadian dollars at year-end exchange rates. Translation gains and losses are included in the statement of earnings. Revenues and expenses are translated at average exchange rates prevailing during the year.

Gains and losses arising from currency options and forward exchange contracts used to hedge future transactions are carried forward and accounted for when the related gains and losses on the hedged items are realized.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term investments having a maturity of three months or less.

Inventories

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value in the case of finished and semi-finished goods and replacement value in the case of raw materials and supplies.

Notes to Consolidated Financial Statements

Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at cost less accumulated amortization. Interest costs related to major capital expenditures are capitalized during the period of construction. Amortization is provided principally on the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

Deferred Preproduction and Development Costs

Certain costs relating to the start-up of new facilities and major plant additions, incurred prior to achieving expected levels of commercial production, are deferred and amortized over periods of up to five years.

Research and development expenditures are expensed as incurred with the exception of costs related to the development of new products, processes and systems, to the extent that their recovery can be reasonably assured. Such costs are amortized over periods of up to five years.

Deferred Financing Costs

Costs relating to financings are deferred and amortized over the term of the related financing agreements.

Employee Future Benefits

The Company sponsors non-contributory defined benefit plans that provide for pensions, other retirement and post-employment benefits for substantially all employees. The Company also maintains an unfunded supplementary pension plan for certain executives. The cost of benefits earned is actuarially determined using the projected benefit method. Pension assets are measured at market value. Pension expense includes amortization of the excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation and the market value of plan assets, over the remaining service period of active employees.

Stock-Based Compensation Plans

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("C.I.C.A.") Handbook Section 3870, "Stock-based compensation and other stock-based payments". This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. This section applies to all awards granted on or after January 1, 2002. The Company has elected to account for employee stock options by measuring compensation cost for options as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares. The following table outlines the impact and assumptions used if the compensation cost for the Company's stock options was determined under the fair value based method of accounting for awards granted on or after January 1, 2002.

Assumptions used in Black-Scholes options pricing model:

Dividend yield	0%
Expected volatility	46%
Risk-free interest rate	5.1%
Expected life (years)	7.0
Weighted average fair value of options granted	\$1.89

Notes to Consolidated Financial Statements

Significant Accounting Policies

(continued)

As a result of applying the Black-Scholes options pricing model, and had the Company used the fair value-based method to record stock-based compensation, net loss attributable to Class A and Class B Shares would have increased by \$1,956 and earnings (loss) per share would have increased by (\$0.07).

The Black-Scholes model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future stock price volatility and expected time until exercise. The Company's outstanding stock options have characteristics which are significantly different from those of trading options, and changes in any of the assumptions can materially affect the fair value estimate.

The Company's stock-based compensation plans consist primarily of the Employees' Stock Option Plan (1982) and the U.S. Employees' Stock Option Plan (1986) described in Note 11.

Future Accounting Changes

The C.I.C.A. has issued new Section 3063 Impairment of Long-Lived Assets, which is to be applied prospectively, and is effective for fiscal years beginning on or after April 1st, 2003. This new section establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets. The Company's management has not yet determined the impact of the adoption of the new standard on the Company's financial statements.

1. Accounting Changes

Effective January 1, 2002, the Company adopted the new recommendations of the C.I.C.A. under which unrealized foreign currency translation gains and losses on U.S. dollar denominated non-current monetary assets and liabilities are recognized immediately in the consolidated statements of earnings rather than deferred and amortized. The 2001 amounts are restated on a comparable basis. Accordingly, as of January 1, 2002, other assets were reduced by \$9,975 and opening deficit was increased by \$9,661 and future income tax liabilities were decreased by \$314.

The 2001 consolidated statement of earnings was restated on a comparable basis whereby foreign exchange loss was increased by \$10,709, amortization expense was reduced by \$5,087 and income tax recovery was reduced by \$194.

2. Basic and Diluted Earnings (Loss) per Share

The reconciliation of the numerator and denominator for the calculation of basic and diluted earnings (loss) per share is as follows:

	2002	2001
Net earnings (loss)	\$ 7,578	\$ (42,442)
Deduct: Preferred share dividends	(12,501)	(16,288)
Add: Gain on redemption of Preferred Shares	147	128
Net earnings (loss) attributable to Class A and Class B Shares	\$ (4,776)	\$ (58,602)
Basic earnings (loss) per share		
Weighted average number of shares outstanding	27,622,255	28,326,199
Basic earnings (loss) per share	\$ (0.17)	\$ (2.07)

As a result of the net losses attributable to Class A and Class B Shares for the years ended December 31, 2002 and 2001, the potential effect of the exercise of stock options was anti-dilutive. Therefore, approximately 62,000 and 25,000 of potentially dilutive options for the years ended December 31, 2002 and 2001, respectively, have not been included in the calculations of diluted loss per Class A and Class B Share because to do so would have been anti-dilutive.

The average market value per common share for 2002 was \$3.56 (\$3.45 in 2001).

Notes to Consolidated Financial Statements

3. Inventories	2002	2001
Finished and semi-finished	\$ 154,665	\$ 134,690
Raw materials and supplies	155,177	164,112
Total inventories	\$ 309,842	\$ 298,802

4. Investments	2002	2001
Dofasco Inc. – 2,986,500 common shares (Note 15)	\$ -	\$ 58,623

5. Capital Assets	2002			2001		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 5,060	\$ -	\$ 5,060	\$ 5,079	\$ -	\$ 5,079
Buildings	118,114	50,057	68,057	119,193	47,251	71,942
Machinery and equipment	681,607	439,140	242,467	674,682	413,526	261,156
Machinery and equipment under capital leases	112,933	22,227	90,706	111,222	17,286	93,936
Total capital assets	\$ 917,714	\$ 511,424	\$ 406,290	\$ 910,176	\$ 478,063	\$ 432,113
Amortization of capital assets for 2002 amounted to \$35,985 (2001 - \$30,700). Capitalized interest for 2002 amounted to \$68 (2001 - \$869).						

6. Cash in Collateral Account	The Company has on deposit \$32,786 (US\$20,782) (2001 - \$36,762 (US\$23,080)) in a cash collateral account for the benefit of the Atlantic Steel Industries pension plans. These funds will be returned to the Company as the unfunded liability of these pension plans is reduced.
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7. Other Assets	2002	2001
Net assets held for disposal, primarily real estate, at cost	\$ 26,795	\$ 30,880
Deferred preproduction costs and other deferred charges, less amortization	19,124	29,570
Deferred product development costs, less amortization	2,074	3,900
Deferred financing costs, less amortization	1,483	2,838
Loans to officers (Note 17)	5,757	5,576
Other items	8,041	357
Total other assets	\$ 63,274	\$ 73,121

Amortization of deferred charges for 2002 amounted to \$13,760 (2001 - \$13,387).

Notes to Consolidated Financial Statements

8. \$2.625 Second Preferred Shares, Series 5

An unlimited number of Second Preferred Shares, Series 5 are authorized of which 3,010,072 (2001 - 2,785,989) shares were issued and outstanding with a stated capital of \$72,188 (2001 - \$66,074).

The \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company may redeem the whole or any part of the Cumulative Redeemable Retractable Second Preferred Shares, Series 5 at any time at a redemption price of \$25 per share. On March 31 in each of the years indicated hereafter, the Company will purchase shares for redemption, at \$25 per share, provided however that the number of shares that may be so redeemed may not exceed the following percentages outstanding in each such year: 15% in 2003; 20% in 2004; and 100% in 2005. The retraction price shall be paid in cash or by the issuance of Class A Shares, or in any combination thereof. On March 31, 2002 the Company redeemed, at \$25 per share, 436,338 (2001 - 271,803) shares with a stated capital of \$10,363 (2001 - \$6,417) in accordance with their terms. During 2002, 400,421 (2001 - 339,761) shares with a stated capital of \$9,977 (2001 - \$8,314) were issued to satisfy, in part, regular dividends on Second Preferred Shares, other than on Second Preferred Shares, Series 5, which were paid in cash and 260,000 shares with a stated capital of \$6,500 were issued to investment dealers in connection with the disposal of the shares of Dofasco Inc. (Note 15).

9. Long-Term Debt

	2002	2001
Secured		
Obligations under capital leases (secured by certain equipment) averaging 7.1% maturing to 2014 of which \$24.8 million (2001 - \$31.0 million) are in U.S. funds	\$ 54,772	\$ 68,667
Term bank loans (secured by certain accounts receivable and inventories) at variable rates averaging 4.6% at December 31, 2002 maturing to 2008 of which \$7.8 million (2001 - \$8.3 million) are in U.S. funds	52,551	15,258
Mortgages averaging 7.3% maturing to 2015 of which \$5.9 million (2001 - \$6.1 million) are in U.S. funds	11,326	12,376
Others (secured by certain equipment) averaging 8.1% maturing to 2006 of which \$3.3 million (2001 - \$5.8 million) are in U.S. funds	5,982	10,915
Unsecured		
Revolving bank loans at variable rates averaging 5.7% at December 31, 2002	73,527	69,322
Senior Notes at 7.29% maturing to 2004 (US\$13.7 million; 2001 - US\$22.8 million)	21,692	36,236
Senior Notes at 8.44% maturing to 2004 (US\$13.3 million; 2001 - US\$19.8 million)	21,014	31,537
Senior Notes at 7.0% maturing to 2008 (US\$17.1 million; 2001 - US\$20.0 million)	27,045	31,856
Senior Notes at 10.13% maturing to 2010 (US\$19.0 million; 2001 - US\$20.0 million)	29,974	31,856
Others averaging 5.8% maturing to 2006 of which \$0.9 million (2001 - \$1.6 million) are in U.S. funds	9,904	14,441
	307,787	322,464
Less: Current maturities	52,783	57,220
Long-term debt	\$ 255,004	\$ 265,244

Notes to Consolidated Financial Statements

9. Long-Term Debt (continued)

Required payments of long-term debt over the next five years are:

\$38,548 in 2003; \$40,163 in 2004; \$10,827 in 2005; \$13,270 in 2006; and \$11,250 in 2007.

Capital lease payments are as follows:

	Payment	Interest	Principal
2003	\$ 17,710	\$ 3,475	\$ 14,235
2004	16,197	2,499	13,698
2005	12,726	1,509	11,217
2006	7,085	827	6,258
2007	3,612	515	3,097
2008 and thereafter	6,902	635	6,267
Total capital lease payments	\$ 64,232	\$ 9,460	\$ 54,772

Interest expense on long-term debt was \$18,959 in 2002 (2001 - \$26,743).

10. Employee Benefits

	2002		2001	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in accrued benefit obligations				
Accrued benefit obligation at beginning of year	\$ 461,094	\$ 36,984	\$ 436,897	\$ 31,869
Service cost	9,950	815	8,875	613
Interest cost	32,705	2,940	31,562	2,335
Contributions by plan participants	782	24	1,308	23
Actuarial loss	20,826	8,042	2,301	2,388
Foreign currency exchange rate changes	(1,399)	(69)	8,983	598
Benefits paid	(23,996)	(2,348)	(23,463)	(2,002)
Plan amendments	28,256	2,854	15,277	1,246
Settlements	-	-	(20,646)	(86)
Accrued benefit obligation at end of year	\$ 528,218	\$ 49,242	\$ 461,094	\$ 36,984
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 344,711	\$ -	\$ 348,639	\$ -
Actual return on plan assets	(5,022)	-	4,522	-
Foreign currency exchange rate changes	(1,229)	-	7,405	-
Employer contributions	36,338	2,324	28,285	2,002
Contributions by plan participants	782	24	1,308	-
Benefits paid	(23,996)	(2,348)	(23,463)	(2,002)
Plan expenses	(1,258)	-	(1,339)	-
Settlements	(68)	-	(20,646)	-
Fair value of plan assets at end of year	\$ 350,258	-	\$ 344,711	\$ -
Funded Status				
Funded status - deficit	\$ 177,960	\$ 49,242	\$ 116,383	\$ 36,984
Unamortized past service cost	(52,466)	(4,789)	(27,583)	(2,160)
Unamortized net actuarial loss	(123,978)	(11,752)	(67,158)	(4,157)
Accrued benefit liability	1,516	32,701	21,642	30,667
Valuation allowance	704	-	797	-
Net accrued benefit liability	\$ 2,220	\$ 32,701	\$ 22,439	\$ 30,667

Notes to Consolidated Financial Statements

10. Employee Benefits (continued)

	2002		2001	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
The net benefit expense includes the following components:				
Current cost	\$ 10,774	\$ 815	\$ 10,075	\$ 613
Interest cost	32,705	2,940	31,562	2,335
Expected return on plan assets	(31,388)	-	(31,331)	-
Amortization of past service cost	3,371	212	2,048	166
Amortization of net actuarial loss	615	470	322	13
Settlement loss	-	-	3,495	(78)
Decrease in valuation allowance	-	-	(3,082)	-
Special termination benefits	-	-	-	-
Net periodic benefit cost	\$ 16,077	\$ 4,437	\$ 13,089	\$ 3,049

The significant weighted-average assumptions used in measuring the Company's pension and other obligations were as follows:

Discount rate	6.65%	6.65%	6.99%	6.99%
Expected rate of return on plan assets	8.25%	-	8.25%	-
Rate of compensation increase	4.5%	-	4.5%	-

For measurement purposes a 10.21% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease gradually to 4.26% for 2010 and remain at that level thereafter.

As at December 31, 2002, the plan assets include 1,212,967 Class A shares of the Company with a fair market value of \$2.49 per share at that date.

As at December 31, 2002, the Company has on deposit \$32,786 (US\$20,782) (2001 - \$36,762 (US\$23,080)) in a cash collateral account for the benefit of the Atlantic Steel Industries pension plans and such amounts have not been included in the fair value of plan assets.

Notes to Consolidated Financial Statements

11. Capital Stock

Authorized

An unlimited number of Preferred Shares issuable in series, Second Preferred Shares issuable in series, Subordinated Non-Voting Preferred Shares, Class A Subordinate Voting Shares (Class A Shares) and Class B Voting Shares (Class B Shares) - all without par value.

Issued and Outstanding

	2002	2001	2002	2001
	Number of Shares	Number of Shares		
Preferred Shares				
\$4.425 Series C	148,690	154,250	\$ 7,435	\$ 7,713
\$2.50 Series D	33,043	34,243	826	856
\$2.40 Series E	63,081	73,281	1,577	1,832
			9,838	10,401
Second Preferred Shares				
\$2.00 Series 1	1,250,435	1,283,135	31,261	32,078
\$2.00 Series 2	1,740,820	1,783,420	43,521	44,586
\$2.25 Series 3	915,975	941,675	22,899	23,542
			97,681	100,206
Exchangeable Second Preferred Shares, Series 4	-	2,986,500	-	95,568
Class A Shares	20,799,045	21,513,545	197,631	206,808
Class B Shares	6,154,577	6,538,877	15,711	17,006
			213,342	223,814
Total capital stock			\$ 320,861	\$ 429,989

Preferred Shares

The Preferred Shares are non-voting and each series of Preferred Shares ranks equally with all other series of Preferred Shares and ahead of the Second Preferred Shares, Subordinated Non-Voting Preferred Shares and Class A and Class B Shares.

Series C

The \$4.425 Cumulative Redeemable Preferred Shares, Series C, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$50 per share. The Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter. During the year, 5,560 (2001 - 4,000) shares were purchased and cancelled for a cash cost of \$277 (2001 - \$195).

Series D

The \$2.50 Cumulative Redeemable Preferred Shares, Series D, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 7,200 shares for cancellation on the open market in each calendar quarter. During the year, 1,200 (2001 - 100) shares were purchased and cancelled for a cash cost of \$30 (2001 - \$2).

Series E

The \$2.40 Cumulative Redeemable Preferred Shares, Series E, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 8,500 shares for cancellation on the open market in each calendar quarter. During the year, 10,200 (2001 - 1,300) shares were purchased and cancelled for a cash cost of \$254 (2001 - \$31).

Notes to Consolidated Financial Statements

11. Capital Stock (continued)

Second Preferred Shares

The Second Preferred Shares rank equally with all other series of Second Preferred Shares and after the Preferred Shares and ahead of the Subordinated Non-Voting Preferred Shares and the Class A and Class B Shares.

Series 1

The \$2.00 Cumulative Redeemable Second Preferred Shares, Series 1, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 13,538 shares for cancellation on the open market in each calendar quarter. During the year, 32,700 (2001 - 16,738) shares were purchased and cancelled for a cash cost of \$766 (2001 - \$376).

Series 2

The \$2.00 Cumulative Redeemable Second Preferred Shares, Series 2, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 18,719 shares for cancellation on the open market in each calendar quarter. During the year, 42,600 (2001 - 26,219) shares were purchased and cancelled for a cash cost of \$995 (2001 - \$596).

Series 3

The \$2.25 Cumulative Redeemable Second Preferred Shares, Series 3, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 9,977 shares for cancellation on the open market in each calendar quarter. During the year, 25,700 (2001 - 14,977) shares were purchased and cancelled for a cash cost of \$620 (2001 - \$354).

Exchangeable Second Preferred Shares, Series 4

The Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4, were exchangeable, at the option of the holder, into one common share of Dofasco Inc. for each Second Preferred Share, Series 4. Dividends were determined by applying to \$32 a quarterly rate equal to: (i) the cash dividends paid by Dofasco Inc. per common share of Dofasco Inc. during the three calendar months immediately preceding the dividend payment date divided by \$32 expressed as a percentage, plus (ii) 1%.

During 2002, the Company redeemed 2,969,566 Exchangeable Second Preferred Shares, Series 4, at \$32 per share, for \$95,026 and holders of 16,934 such shares exercised their exchange privilege for \$542.

Class A Subordinate Voting and Class B Voting Shares

The Class A Subordinate Voting Shares (Class A Shares) carry one vote per share and the Class B Voting Shares (Class B Shares) carry ten votes per share. The Class A Shares have a dividend rate equal to 120% of any dividend declared on the Class B Shares.

The Class A Shares and the Class B Shares are treated equally in the event of liquidation or in any subdivision or consolidation of either class. In the event an acquisition offer is made to holders of Class B Shares and at least 50% of the Class B Shares are tendered in acceptance of the offer and a similar offer is not made to holders of Class A Shares then each Class A Share will, for purposes of the offer only, be deemed to have been converted into a Class B Share in order that the Class A Shares will be treated equally with the Class B Shares.

The Class B Shares may be converted into an equal number of Class A Shares at any time.

Notes to Consolidated Financial Statements

11. Capital Stock (continued)

The following transactions occurred during 2002 and 2001 in the Class A Shares and the Class B Shares:

	Class A Number of Shares	Class B Number of Shares	Class A	Class B
Balance at December 31, 2000	22,086,245	6,574,677	\$ 212,574	\$ 17,127
Conversion from Class B to Class A	35,800	(35,800)	121	(121)
Shares issued pursuant to the Employees' Stock Option Plans	5,000	-	17	-
Shares repurchased during 2001	(613,500)	-	(5,904)	-
Balance at December 31, 2001	21,513,545	6,538,877	206,808	17,006
Conversion from Class B to Class A	384,300	(384,300)	1,295	(1,295)
Shares repurchased during 2002	(1,098,800)	-	(10,472)	-
Balance at December 31, 2002	20,799,045	6,154,577	\$ 197,631	\$ 15,711

Stock Based Compensation

Under the Company's Employees' Stock Option Plan (1982) and the U.S. Employees' Stock Option Plan (1986), the Board of Directors may grant to directors, officers and key employees of the Company and its subsidiaries options to purchase up to an aggregate of 3,064,582 Class A subordinate voting shares. The minimum purchase price for which options are granted will not be less than the market value of such shares at the time the option is granted. No compensation expense is recognized when stock options are granted to employees. Any contribution paid by employees on exercising stock options is credited to capital stock. On February 27, 2002, the Company issued 859,800 options exercisable at \$3.41 with a term of ten years. These options are fully vested at December 31, 2002. Also, on February 27, 2002, the Company issued 352,500 options exercisable at \$3.41 with a term of ten years. These options vest as to 1/3 in each of 2002, 2003 and 2004.

Details of the status of the Company's stock option plans as at December 31, 2002 and 2001, and changes during the years then ended are as follows:

	2002		2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	2,608,240	\$ 5.49	2,642,740	\$ 5.50
Returned to the plan	(1,244,540)	\$ 3.69	(29,500)	\$ 6.46
Issued	1,212,300	\$ 3.41	-	-
Exercised	-	-	(5,000)	\$ 3.40
Outstanding at end of year	2,576,000	\$ 5.43	2,608,240	\$ 5.49
Options exercisable at end of year	2,341,000		2,608,240	

The following table summarizes information about stock options outstanding at December 31, 2002:

Options Outstanding and Exercisable	Exercise Price	Number of Options	Exercisable	Expiration
	\$ 7.19	10,000	10,000	2004
	\$ 7.50	1,268,700	1,268,700	2004
	\$ 3.11	85,000	85,000	2007
	\$ 3.41	1,212,300	977,300	2012
		2,576,000	2,341,000	

Notes to Consolidated Financial Statements

12. Income Taxes

The provision for (recovery of) income taxes is comprised of:

	2002	2001
Current	\$ 2,455	\$ 3,621
Future (recovery)	(6,441)	(8,991)
	\$ (3,986)	\$ (5,370)

The provision for (recovery of) income taxes is determined as follows:

	2002	2001
Combined basic federal and provincial income taxes	\$ 1,329	\$ (17,690)
Increase (decrease) in income taxes resulting from the following:		
Unrealized loss not tax effected	742	16,024
Large corporation tax	1,800	1,800
Capital gains	(5,608)	(2,453)
Dividends on Second Preferred Shares, Series 5	2,788	2,600
Benefit of capital loss carryforwards previously unrecognized	(5,578)	(2,453)
Dividend income	(597)	(1,196)
Other items	1,138	(2,002)
Total provision for (recovery of) income taxes	\$ (3,986)	\$ (5,370)

As at December 31, 2002 and 2001, future income taxes are as follows:

	2002	2001
Future tax assets		
Employee future benefits	\$ 14,300	\$ 20,752
Tax benefits arising from unused tax losses	12,803	10,120
	\$ 27,103	\$ 30,872
Future tax liabilities		
Current assets	\$ 9,724	\$ 8,413
Capital assets	44,667	50,129
Other assets	15,568	19,767
	\$ 69,959	\$ 78,309

Notes to Consolidated Financial Statements

13. Joint Venture Operations

The Company's 50% proportionate share of joint venture operations included in the Consolidated Financial Statements is summarized below:

	2002	2001
Consolidated Statements of Financial Position		
Current assets	\$ 5,338	\$ 5,475
Non-current assets	\$ 3,119	\$ 3,078
Current liabilities	\$ 4,463	\$ 2,814
Non-current liabilities	\$ 1,929	\$ 3,783
Consolidated Statements of Earnings		
Net sales	\$ 12,210	\$ 10,824
Expenses	\$ 12,006	\$ 10,519
Net earnings	\$ 204	\$ 305
Consolidated Statements of Cash Flows		
Cash provided by (used in):		
Operating activities	\$ 1,738	\$ (129)
Financing activities	\$ (1,698)	\$ 166
Investing activities	\$ (491)	\$ (597)

14. Gain on Disposal of Operating Assets

During 2001, the Company disposed of its Bel-Air Fence division and its Rexdale property for net cash proceeds of \$15,322, which resulted in a pre-tax gain of \$5,354, and recorded other charges and expenses totaling \$770.

15. Non-Recurring Items

During 2002, the Company disposed of 2,969,566 common shares of Dofasco Inc. for proceeds of \$95,026, which resulted in a pre-tax gain of \$30,155. Also, during 2002, the Company recorded a \$7,075 provision against construction contracts receivable and claims recorded in prior years and expensed costs of \$2,006 related to an investment that was previously written off.

During 2001, the Company recognized a non-recurring, non-cash loss of \$32,602 with respect to the write-off of its investment in Birmingham Southeast LLC of \$27,549 (US\$20,100) and Amercord Inc. of \$5,053 (US\$3,500). These losses were taken to recognize the impairment of the value of the respective investments.

16. Discontinued Operations

Assets and liabilities relating to operations which have been discontinued, included in the Consolidated Statements of Financial Position at December 31 are as follows:

	2002	2001
Capital assets	\$ 5,454	\$ 5,454
Other assets (Note 7)	\$ 26,795	\$ 30,880
Employee future benefits	\$ (14,945)	\$ (15,072)

17. Transactions with Related Parties

Loans to officers outstanding at December 31, 2002 amounted to \$5,757 (2001 - \$5,576) and are due March 1, 2005. These loans bear interest generally at prime rate and are unsecured, and were made predominantly in connection with the purchase of shares of the Company.

Notes to Consolidated Financial Statements

17. Transactions with Related Parties (continued)

From time to time, the Company borrows short-term funds from senior officers of the Company and related individuals and entities under their control and makes drawings available to them. Such transactions are at market rates. At December 31, 2002, such borrowings amounting to \$6,253 were outstanding (2001 - \$7,432) whereas drawings amounting to \$5,811 were outstanding (2001 - \$3,751). These transactions are measured at the exchange amount.

18. Supplemental Cash Flow Information

	2002	2001
Interest paid	\$ 27,977	\$ 32,932
Income taxes paid (refunded)	\$ 5,960	\$ (8,073)
New capital lease obligations	\$ 1,813	\$ 15,237
Issuance of Second Preferred Shares, Series 5 to investment dealers	\$ 6,500	\$ -

19. Financial Instruments and Risk Management

Foreign Exchange Risks

From time to time, the Company enters into currency options and forward exchange contracts for some of its Canadian operations to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollars outlays including principal and interest payments on U.S. dollar denominated debt. Counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate non-performance by the counterparties.

At December 31, 2002, the Company had forward exchange contracts maturing in 2003 to exchange \$23,000 U.S. dollars for Canadian dollars. The value of such contracts at December 31, 2002 was such that the Company would have realized a gain of \$235. Gains and losses on outstanding options and forward exchange contracts are accounted for when the related gains and losses on the hedged items are realized.

Interest rate risks

A significant portion of the Company's long-term debt is at fixed interest rates and therefore the Company's exposure to increases in interest rates has been reduced.

Credit risks

The Company's exposure to concentration of credit risk is limited due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographic locations. As at December 31, 2002, there was no concentration of credit risk. The Company also maintains credit insurance with a third party insurer to further alleviate risk.

Fair value of financial instruments

Fair value estimates are made as of a specific point in time, using available information about financial instruments. These estimates are subjective in nature and often cannot be determined with precision. The fair value of current monetary assets and liabilities approximates their carrying value as reported in the Consolidated Statements of Financial Position due to the relatively short period to maturity of the instruments.

The Company's estimated fair values, which differ from their carrying values are as follows:

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	\$ -	\$ -	\$ 58,623	\$ 77,081
Long-term liabilities				
Senior Notes	\$ 99,725	\$ 97,074	\$ 131,485	\$ 129,161
Redeemable Second Preferred Shares, Series 5	\$ 72,188	\$ 76,305	\$ 66,074	\$ 68,814

The fair value of the above items was estimated based on quoted market prices (when available), or discounted cash flows, using discount rates based on market interest rates.

Notes to Consolidated Financial Statements

20. Contingent Liabilities

Environmental Matters

The Company's operations are subject to numerous environmental laws, regulations and guidelines adopted by various governmental authorities in the jurisdictions in which the Company operates. It is the opinion of management that under existing legislation and regulatory practices, expenditures required for environmental compliance will not have a material adverse effect on the Company's financial position. Liabilities and probable recoveries, are recorded when environmental remediation obligations are either known or considered probable and can be reasonably estimated.

Anti-Dumping Duties

In October 2002, the U.S. International Trade Commission (USITC) issued a final determination that imports of certain wire rod are injuring the U.S. domestic industry.

As a result, pursuant to an investigation by the U.S. Department of Commerce (DOC), the Company is required to make anti-dumping duty deposits of 9.9% on shipments into the United States of certain wire rod.

In October 2003, either the Company or the U.S. industry may request an administrative review. The purpose of the review is to determine the actual anti-dumping duties owed by the Company during the first administrative review period, April 10, 2002 to September 30, 2003. Any difference between the estimated anti-dumping duties deposited by the Company and the final anti-dumping duties determined by the DOC as a result of the review will either be refunded to the Company or paid by the Company. The difference between the amount deposited by the Company since April 10, 2002 and management's estimate of anti-dumping margin was recorded as a deposit in Other Assets.

An anti-dumping order is usually in place for five years after which the USITC is required to determine if a revocation of the order will lead to a recurrence or continuation of material injury. An individual company may request that an anti-dumping order be revoked if it can show no dumping for three consecutive years.

The Company is appealing the USITC decision under the North American Free Trade Agreement. A panel will be appointed to review the injury determination with respect to Canada.

Litigation

In the normal course of operations, the Company becomes involved in various claims and legal proceedings. In management's opinion, the consolidated financial statements include adequate provisions for litigation. While the final outcome with respect to claims and legal proceedings pending at December 31, 2002 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a materially adverse effect on the Company's consolidated financial position or results of operations.

21. Comparative Figures

Certain of the 2001 figures have been reclassified to conform with the presentation adopted in 2002.

22. Segmented Reporting

Invaco's three operating segments are strategic business units that offer different products and services and include: steel, fabricated steel products, and precision machined components. The steel segment produces hot rolled wire rods for sale to customers in Canada and the United States and for further processing by the Company's fabricated steel products segment. The fabricated steel products segment produces standard bolts and nuts, specialty fasteners and a wide variety of wire and wire products. The precision machined components segment produces truck trailer axles, precision machined components and steel forgings. Other includes corporate and others.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Intersegment net sales are recorded at the exchange amounts.

Notes to Consolidated Financial Statements

22. Segmented Reporting (continued)

Business Segments	2002				
	Steel	Fabricated Steel Products	Precision Machined Components	Other	Total
Net sales – external	\$ 371,753	\$ 509,741	\$ 55,981	\$ -	\$ 937,475
Net sales – intersegment	\$ 147,995	\$ 208	\$ -	\$ -	\$ 148,203
Operating earnings (loss) before:	\$ 43,902	\$ 38,468	\$ 3,799	\$ (22,740)	\$ 63,429
Net interest expense	(10,777)	(11,126)	(165)	(2,019)	(24,087)
Dividends on Second Preferred Shares, Series 5	-	-	-	(7,535)	(7,535)
Foreign exchange gain (loss)	648	(2)	-	(190)	456
Earnings (loss) from operations before amortization and other items	33,773	27,340	3,634	(32,484)	32,263
Amortization	(25,589)	(19,077)	(2,573)	(2,506)	(49,745)
Earnings (loss) from operations before non-recurring items and income taxes	\$ 8,184	\$ 8,263	\$ 1,061	\$ (34,990)	\$ (17,482)
Identifiable assets	\$ 416,143	\$ 435,636	\$ 36,511	\$ 65,824	\$ 954,114
Net additions to capital assets	\$ 3,679	\$ 3,722	\$ 1,018	\$ 265	\$ 8,684

Business Segments	2001				
	Steel	Fabricated Steel Products	Precision Machined Components	Other	Total
Net sales – external	\$ 339,512	\$ 496,277	\$ 56,231	\$ -	\$ 892,020
Net sales – intersegment	\$ 131,363	\$ 215	\$ -	\$ -	\$ 131,578
Operating earnings (loss) before:	\$ 34,651	\$ 44,128	\$ 4,921	\$ (14,464)	\$ 69,236
Net interest expense	(14,257)	(14,947)	(351)	2,347	(27,208)
Dividends on Second Preferred Shares, Series 5	-	-	-	(7,026)	(7,026)
Foreign exchange loss	(8,065)	(2,644)	-	-	(10,709)
Earnings (loss) from operations before amortization and other items	12,329	26,537	4,570	(19,143)	24,293
Gain on disposal of operating assets (Note 14)	-	2,214	-	2,370	4,584
Amortization	(25,319)	(15,375)	(2,708)	(685)	(44,087)
Earnings (loss) from operations before non-recurring items and income taxes	\$ (12,990)	\$ 13,376	\$ 1,862	\$ (17,458)	\$ (15,210)
Identifiable assets	\$ 435,149	\$ 450,314	\$ 38,979	\$ 148,079	\$ 1,072,521
Net additions to capital assets	\$ 9,709	\$ 14,217	\$ 524	\$ 292	\$ 24,742

Geographic Information	2002		2001	
	Revenues	Capital Assets	Revenues	Capital Assets
Canada – domestic	\$ 237,272	\$ 344,912	\$ 231,169	\$ 368,569
Canada – export – primarily US	661,096	-	631,467	-
	\$ 898,368	\$ 344,912	\$ 862,636	\$ 368,569
United States – domestic	39,107	61,378	29,384	63,544
	\$ 937,475	\$ 406,290	\$ 892,020	\$ 432,113

Financial Summary

(Millions of dollars except per share amounts)

Operating results	2002	2001	2000	1999	1998	1997	1996	1995
Net sales	\$ 937.5	892.0	963.5	913.8	1,008.4	1,193.2	1,222.1	1,416.6
Operating earnings (EBITDA):	\$ 63.4	69.2	119.7	102.9	71.3	140.0	122.8	154.6
Earnings (loss) from operations before amortization and other items	\$ 32.3	24.3	85.7	59.1	23.7	94.8	67.7	108.0
Amortization	\$ 49.7	44.1	46.2	44.0	45.5	46.9	42.4	39.5
Earnings (loss) from continuing operations before income taxes	\$ 3.6	(47.8)	41.3	3.1	(21.8)	64.6	25.3	68.5
Provisions for (recovery of) income taxes	\$ (4.0)	(5.4)	15.0	(23.7)	6.0	32.9	22.8	30.9
Earning (loss) from continuing operations	\$ 7.6	(42.4)	26.3	26.8	(27.8)	31.7	2.6	37.6
Net earnings (loss)	\$ 7.6	(42.4)	26.3	128.2	(18.0)	31.1	(15.5)	28.9
Earning (loss) per share ⁽²⁾								
Continuing operations	\$ (0.17)	(2.07)	0.34	0.34	(1.44)	0.53	(0.46)	0.77
Net earning (loss) per share	\$ (0.17)	(2.07)	0.34	3.64	(1.12)	0.51	(1.09)	0.47

Financial Position	2002	2001	2000	1999	1998	1997	1996	1995
Current assets	\$ 451.8	471.9	552.5	523.6	523.6	559.8	566.7	628.3
Current liabilities	\$ 303.0	284.6	286.9	284.6	291.4	306.5	305.9	291.3
Working capital	\$ 148.8	187.3	265.6	239.1	232.2	253.3	260.8	337.0
Net additions to capital assets	\$ 8.7	24.7	34.8	55.4	87.4	111.0	43.3	43.9
Total assets	\$ 954.1	1,072.5	1,194.0	1,170.2	1,312.5	1,294.8	1,278.4	1,381.4
Long-term debt, convertible and exchangeable debentures	\$ 255.0	265.2	306.1	265.7	490.1	436.7	454.1	519.0
Shareholders' equity	\$ 266.7	374.3	440.5	502.8	406.3	438.0	415.6	452.7
Dividends ⁽¹⁾	\$ 12.5	16.3	19.3	16.4	18.7	21.7	23.1	48.5
Book value per share ⁽²⁾	\$ 5.67	6.11	7.89	9.37	5.69	6.89	6.69	7.78

⁽¹⁾ Excludes dividends on Second Preferred shares, Series 5 which are deducted from consolidated net earnings.

⁽²⁾ Declared and undeclared preferred share dividends have been deducted in calculating per share amounts.

Financial

Summary

1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
1,418.2	1,220.9	1,094.3	1,115.8	1,868.5	2,001.1	2,013.3	2,127.8	1,944.8	1,342.7	1,193.9	754.7
122.7	92.4	43.1	21.9	133.9	165.9	215.7	197.5	186.6	138.5	128.8	63.5
90.5	60.4	(4.3)	(30.8)	59.4	109.0	165.1	148.2	138.0	97.1	89.0	26.7
45.4	43.8	43.8	45.6	55.0	51.8	56.9	56.7	56.3	39.5	34.5	27.0
45.0	16.7	(48.1)	(81.6)	12.2	57.1	108.3	89.0	81.7	57.6	54.4	(0.3)
26.6	14.0	(11.7)	(25.2)	0.1	20.9	41.5	42.1	32.7	18.3	15.8	(5.9)
18.4	2.7	(36.4)	(56.4)	7.2	28.2	55.6	39.9	43.1	35.1	32.3	2.9
8.1	0.3	(19.6)	(59.4)	17.0	12.9	41.9	31.8	44.1	35.1	33.8	0.8
0.13	(0.52)	(2.51)	(3.71)	(0.76)	0.29	1.67	0.64	1.11	1.04	1.64	(0.17)
(0.25)	(0.63)	(1.71)	(3.86)	(0.25)	(0.55)	1.03	0.46	1.11	1.04	1.64	(0.34)

1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
571.4	484.8	453.3	533.1	620.7	951.8	970.2	913.4	860.1	623.1	536.0	461.8
308.4	264.2	325.8	354.9	369.3	466.1	464.3	441.8	373.0	228.1	263.2	191.0
263.0	220.6	127.5	178.2	251.4	485.7	505.9	471.6	487.1	395.0	272.8	270.8
33.6	18.1	7.0	24.7	39.6	68.0	89.8	88.5	84.4	46.3	39.5	16.6
1,309.2	1,203.4	1,182.6	1,296.6	1,411.8	1,838.2	1,853.9	1,764.7	1,697.5	1,281.4	1,117.3	890.0
448.1	450.7	404.6	451.9	450.9	645.8	603.4	545.0	531.2	395.8	350.8	263.4
482.7	442.8	422.3	446.9	535.5	548.2	577.3	581.7	604.1	520.6	366.9	303.3
1.7	1.7	3.2	19.1	33.0	34.0	34.1	34.2	33.7	28.4	19.4	10.3
7.36	7.51	8.32	10.35	14.65	15.76	16.91	16.48	16.64	15.01	14.29	13.22

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Fax: (404) 897-4719
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Docap (1985) Corporation

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Mississauga, Ontario L4V 1V6
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Fax: (905) 673-1333

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IFC (Fasteners) Inc.

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Fax: (450) 447-0114

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Fax: (450) 447-0114

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Fax: (450) 447-0114
www.infasco.com

Corporate office

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Fax: (450) 447-0114
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Fax: (519) 485-2435

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www.ivacorm.com

Hot rolled wire rods and steel billets

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Suite 504
Troy, Michigan 48084
Tel.: (248) 649-8888
Fax: (248) 649-6116
www.ivacorm.com

U.S. sales office

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Tel.: (716) 874-5681
Fax: (716) 874-4440
www.ivacorm.com

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Fax: (905) 834-5094
www.imtpcdf.com

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Sivaco Wire Group

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Corporate office

Sivaco Georgia LLC

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Fax: (450) 460-2744
www.sivaco.com

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Vermont Fasteners Manufacturing Division

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Fax: (802) 868-2089

Fastener products

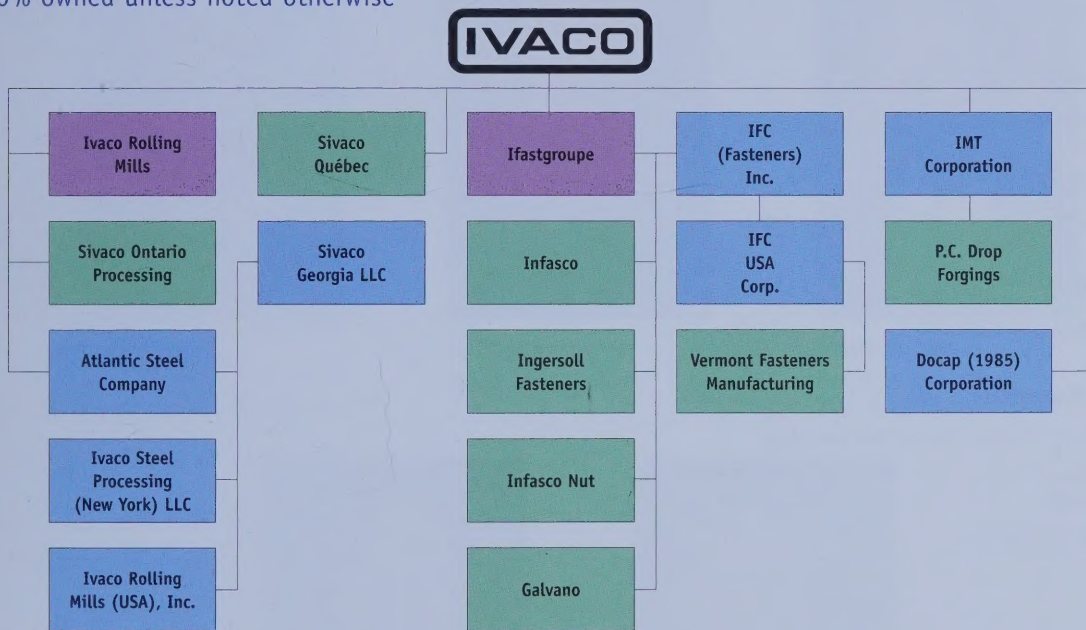
Vermont Fastener Sales Corp.

308 Industrial Park Road
Georgia Regional
Industrial Park
Fairfax, Vermont 05454
Tel.: (802) 527-9773
Fax: (802) 527-9967

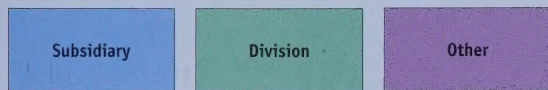
Assembly, packaging and
warehousing of fastener products

Organization Chart

100% owned unless noted otherwise



Legend



Officers

Paul Ivanier

President and Chief Executive Officer

Sydney Ivanier

Senior Vice-President

Albert A. Kassab

Senior Vice-President and Chief Financial Officer

Hugh W. Blakely

Vice-President and Controller

Guy-Paul Massicotte

Vice-President, General Counsel and Secretary

Peter Sorenti

Vice-President, Taxation

**Head Office:**

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Tel: (514) 288-4545 • Fax: (514) 284-9414

Web site:

www.ivaco.com

Shares Listed:

The Toronto Stock Exchange

Transfer Agent and Registrar:

CIBC Mellon Trust Company in Montréal, Toronto,
Calgary, Winnipeg, Vancouver and Halifax.

Annual Meeting:

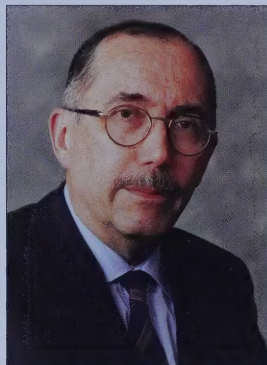
The annual meeting of the Company will be held
on May 27, 2003 at 10:00 a.m. at the
Marriott Château Champlain Hotel, Montréal, Québec.

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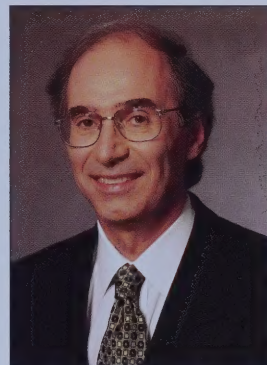
The Board of Directors



Paul Ivanier
*President and
Chief Executive Officer*



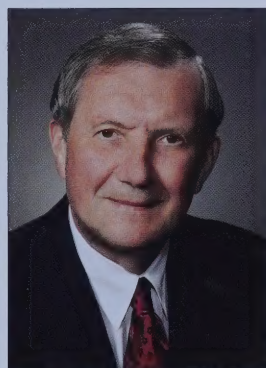
Sydney Ivanier
Senior Vice-President



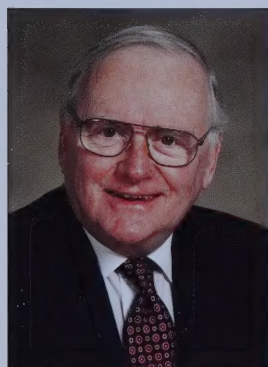
Albert A. Kassab
*Senior Vice-President
and Chief Financial Officer*



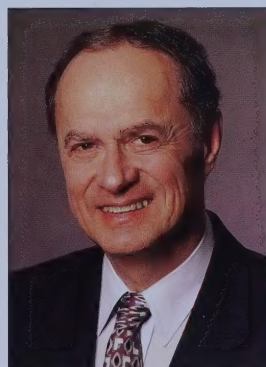
Pierre Côté
Corporate Director



William S. Cullens
Corporate Director



Donald W. McNaughton
Corporate Director



Gaston Pelletier
Corporate Director



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